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PROGRAMME PLANNING AND IMPLEMENTATION

Country, intercountry and global programmes

FIRST COUNTRY PROGRAMME FOR MARSHALL ISLANDS

Programme period	Resources	$
January 1993-December 1996	Net IPF	2 124 000
	Estimated cost-sharing	500 000
	Total	2 624 000

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I. DEVELOPMENT SITUATION, OBJECTIVES AND STRATEGIES

A. Current socio-economic situation

1. The Republic of the Marshall Islands is a newly independent Micronesian nation with a population of over 48,000 and a land area of 180 square kilometres. The atoll is geographically fragmented with a limited resource base, posing natural disadvantages to sustained development and entailing high costs for social service delivery.

2. Rapid population growth is the single most critical issue with regard to sustainable development. The population growth rate of 4.25 per cent per annum is one of the highest in the world. Life expectancy at birth is 60 years for males and 63 years for females. The infant mortality rate is high, 63 per 1,000 live births, due primarily to malnutrition. The low literacy rate, estimated at 55 to 60 per cent, is the result of inadequacies in the education system and poor attendance. Rural-to-urban migration has increased, resulting in the concentration of about 60 per cent of the population in two urban centres, Majuro and Ebeye. Population pressures are exerting a strain on the narrow resource base and the modest social services available, with accompanying environmental degradation. In addition, population growth is contributing to the unemployment rate, currently at 12.5 per cent. The major challenge in this respect is to develop human resources by upgrading education levels and technological skills and creating employment opportunities to absorb the unemployed labour force, both male and female.

3. The country is faced with a chronic budget deficit and trade imbalance ($41 million in 1989). The service oriented public sector dominates the economy with the relatively small productive sector limited to copra production, subsistence agriculture, fishing and handicrafts production. The resource gap in the annual budget had been met by substantial assistance from the Government of the United States of America under the Compact of Free Association, covering 66 per cent of budgetary requirements. Funding from the Compact is scheduled to be phased out by the year 2001, leaving a large financial deficit. One of the major challenges for the Government is to launch innovative and decisive measures to close this resource gap through restructuring public-sector expenditure, mobilizing resources and investment and galvanizing private-sector activities.

B. National development objectives and strategies

4. The Government is moving ahead during the 1990s with a self-sustaining development process, making optimal use of the country's scarce domestic resources in order to improve the quality of life of its people. As population is at the core of the issue of sustainability, the Government places highest priority on the implementation of the National Population Policy. Over the long term this policy is expected to strike a balance between population growth and the carrying capacity of the islands and the economy.

5. The Government's Second Five-Year Development Plan (1992-1996) articulates the national development objectives as follows: promotion of economic growth, provision of employment opportunities, improvement in quality of life and

promotion of balanced urban and rural development. The Government's economic growth strategy is to develop fisheries and tourism as leading foreign exchange earning activities, provide appropriate infrastructure and an enabling environment for private enterprise, develop human resources and implement structural adjustment measures to revitalize and restructure the public sector.

II. EXTERNAL COOPERATION

A. Role of external cooperation

6. The economy is heavily dependent on foreign aid. Without the aid component, the per capita gross domestic product (GDP) would drop from $1,600 to between $250 and $600. Seventy per cent of the government budget is financed by foreign aid. The United States is the principal source of external assistance. United States Government aid under the Compact of Free Association is expected to average $40 million per year for the 1991-1996 period. In addition, technical cooperation is acquired upon request through United States federal programmes in such sectors as health and education. The Government of Japan is the second most important bilateral donor, contributing about $10 million every two years for major capital investment projects.

7. In addition to UNDP, multilateral donors include the United Nations Population Fund (UNFPA) and the United Nations Children's Fund (UNICEF), which are active in the health, nutrition and population sectors. In addition, in an effort to diversify the external financing base, the Government recently joined the Asian Development Bank (ADB), which committed substantial loans for human resources development involving primary and secondary education and teacher training. Separate technical cooperation projects have been initiated for the strengthening of the Office of Planning and Statistics, and for aid coordination within the Ministry of Finance. In addition, an $8 million loan has been approved by the ADB for a comprehensive fisheries development programme. The International Monetary Fund (IMF) has also offered technical assistance with respect to fiscal and monetary activities.

B. Coordination arrangements

8. The Ministry of Foreign Affairs is the focal point for bilateral and multilateral assistance. The Ministry of Finance, however, is playing a growing role in terms of management of external aid. With increased donor interest, the Government intends to streamline and strengthen the institutional arrangements for aid coordination.

9. The Government sought UNDP assistance to facilitate its dialogue with donors through the first round-table conference held in December 1991. The Government viewed this exercise as a very positive step towards greater exposure to the donor community and as an effective venue for conducting policy dialogue. It now wishes to follow up on the specific recommendations of that conference by holding a donor meeting on the social sector and an investors' meeting for investment generation. Both meetings are scheduled for the second half of 1993. UNDP assistance will be utilized for preparatory work leading up to these meetings.

III. THE COUNTRY PROGRAMME

A. Assessment of ongoing projects

10. UNDP assistance during the 1987-1991 period concentrated on development planning. Sixty per cent of resources were allocated to the implementation of two successive projects. Combining cost-effective inputs and specialized expertise, these projects have made a significant contribution to strengthening national development planning and providing advice on critical national policies and issues.

11. UNDP also devoted a substantial amount of assistance to the establishment of a Marine and Seamen's Training Centre. A recent evaluation recommended that the activities of this project be incorporated into a broader vocational training and human resources development programme. Finally, UNDP supported small- and medium-scale enterprise development through the provision of small business advisory services. Both these projects contributed to human resources development in the productive sector and helped absorb unemployed youths.

12. National capacity-building and transfer of skills have been limited by the fact that qualified counterparts could not always be secured. As a result, the sustainability of project activities has not been consistent. The importance of having national project staff and ample training opportunities is being taken into consideration when designing future projects.

B. Proposals for UNDP cooperation

1. Preparatory process

13. Consultations were held with the Government, other donors and relevant United Nations agencies in developing the first country programme in a collaborative and programmatic manner. The Government's Second Development Plan provided the overall framework and national documentation was taken into consideration. The country programme orientations were determined through discussions based on the UNDP advisory note.

2. Strategy for UNDP cooperation

14. To make best use of UNDP limited resources and to achieve greater impact and results, the Government proposes to focus UNDP cooperation in a few key areas. Special consideration of UNDP comparative advantage and global mandate was given in focusing the assistance; of special importance is its multilateral character, global experience and neutral status. Furthermore, UNDP experience and expertise in capacity-building and human resources development are of particular relevance to the Marshall Islands as it seeks to strengthen national capabilities. Finally, following the United Nations Conference on Environment and Development (UNCED), UNDP was assigned a leading role in the implementation of Agenda 21. It is thus appropriate that UNDP respond to the Marshall Islands' national priorities in this area. The Government will take steps to ensure that inputs from UNFPA and UNICEF are well coordinated with the UNDP country programme so that issues of common concern are addressed in a harmonious fashion

with adequate complementarity. In addition, the Government will seek to combine country programme activities with those of the UNDP Pacific subregional programmes which address national priorities and strategies.

3. Proposed UNDP cooperation in selected areas of concentration

15. The Government proposes that UNDP resources be concentrated in the following three programme areas: employment generation, public sector reform and sustainable resource management.

Employment generation and private sector development

16. The Government has embarked on a major human resources development programme, focusing on upgrading the quality and expanding the coverage of formal education, as well as technical and vocational training. The objective is to improve the qualifications of graduates and equip the unskilled labour force to secure jobs currently held by foreign labour. It also aims to create a human resources base to meet the needs of economic diversification as well as the demands of the private sector. Primary and secondary education are being revitalized through an ADB loan. The upgrading of three formal vocational training schools will be funded by the Government of Japan. UNDP assistance will address the twin objectives of supplying skilled labour through vocational and trades training and facilitating job creation through support to small and micro-enterprise development in the private sector.

17. Vocational training and skills development. Currently, vocational training activities are undertaken by different institutions, according to different standards and without any clear policy guidelines. A large number of youth are not covered by these programmes. The Government proposes that the major portion of UNDP assistance in this area be devoted to strengthening the National Training Council, which is responsible for the formulation of national policies on vocational training. In addition, the Council will have the capability to offer special trade training courses, targeting the most disadvantaged category of unemployed youth, namely those who leave school early. The programme will draw on existing opportunities for short-term placement of these graduates within private businesses. Particular attention will be given to providing equal opportunity for women to participate in the programme. The programme will receive substantive inputs from the International Labour Organisation (ILO)-executed regional Employment Promotion, Manpower Planning and Labour Administration Project in the areas of employment strategies and human resources planning. At the end of the period, the Marshall Islands will have a standardized national vocational training system, supported by an appropriate number of trained instructors and managers.

18. Private-sector development. In order to generate employment, the Government plans to stimulate growth in the private sector. Currently the domestic private sector is not adequately developed. The Government proposes that UNDP technical cooperation address a wide span of issues related to private-sector development, ranging from multinational investment promotion to local entrepreneurial development. This will be achieved through the following mutually reinforcing interventions.

19. UNDP will assist in organizing a meeting for potential private foreign investors where the Government will have the opportunity to present its foreign investment promotion policies and proposals. As part of the preparations for this meeting, advice will be provided on appropriate regulatory, policy and incentive frameworks for foreign investment. Support from the subregional Economic and Financial Management and Reform Programme will be sought.

20. UNDP assistance will also be sought for local entrepreneurship development, currently addressed by the ongoing Small Business Advisory Service project, to strengthen the newly created Small Business Advisory Unit. Activities under this project will be linked with vocational training activities to select and equip potential entrepreneurs to start businesses. Arrangements will be made to provide appropriate financing and credit facilities. Opportunities for promoting income-generating activities with the participation of community groups, including women's groups and non-governmental organizations (NGOs) in the outer islands, will be provided. Additional technical support in this area will be channelled through the proposed UNDP regional Equitable and Sustainable Human Development Project and Small Enterprise Development Project. Close linkages will be developed with the UNFPA umbrella project on women, population and development which supports the establishment of micro-enterprises managed by women.

21. The Government's multidimensional strategy for employment generation is expected to alleviate problems of both demand and supply in the labour market. Appropriate skill profiles will be developed to meet the requirements of the diversification of the economy. Quality standardization of training and skill certification, as well as training of out-of-school and disadvantaged youth in employable skills, will be carried out. Enterprise development, through effective advisory support, will create additional demand for skilled labour and will open new avenues for self-employment.

Public sector and macro-economic management reform

22. To prepare and cope with diminishing funding from the Compact of Free Association, the entire public service, as well as financial and economic management policies, require a fresh assessment and evaluation. The Government wishes to utilize UNDP assistance in implementing needed reforms to bring about a higher standard of public service and to streamline the structure of the public sector. The programme will establish a National Policy Resource Committee, operating at the highest level, that will initiate wide-ranging reforms on public-sector management and propose a lean and efficient organization structure. Other efforts will concentrate on economic, financial and fiscal management issues. Actions will include integration of capital and recurrent budgets, reconciliation of public-sector expenditure with revenues, including resource mobilization, and more rational and viable assessment of investment. The Government will complement country programme activities with advice and inputs from the IMF and the World Bank, through the Pacific regional Economic and Financial Management and Reform Programme.

23. It is proposed that 33 per cent of the indicative planning figure (IPF) be devoted to the formulation and implementation of the Management Development Programme. Special Programme Resources (SPRs), will serve as seed money to formulate the programme and attract cost-sharing from other donors. In view of

the very high priority and substantial effort required, the Government will add its own resources to project cost-sharing.

24. The country programme is expected to prepare the Marshall Islands for a smooth adjustment to new realities and financial arrangements. Upgrading of the public service will contribute to more cost-effective, efficient and affordable services. The scope of public services will be determined according to actual needs. A public-sector investment programme will be established which will include only those projects with clear impact on economic and social development. The programme will contribute to strengthening the Government's capacity to manage the adjustment process, through revitalization and adoption of efficient practices in the public sector. The impact of the programme will be measured by the extent to which the new policies are adopted and implemented.

Sustainable resource management

25. In line with UNCED recommendations and Agenda 21, the Government is committed to ecologically sustainable development.

26. Rapid population growth, overcrowding in urban areas and depletion of natural resources are endangering the Marshall Islands' fragile ecosystem. The Government recognizes that measures to protect the environment and design a course of sustainable development are indispensable to the improvement of the quality of life. The Government wishes to draw on the UNDP initiative in this area and proposes country programme intervention at the national policy and the community levels.

27. At the national policy level, the country programme will be used in formulating and implementing development policies and programmes that are environmentally sustainable and ecologically sensitive. The Government recently completed the preparation of the National Environmental Management Strategy, with the support of the Pacific regional Environmental Planning and Management Project. The country programme will address specific aspects of the strategy and prepare grounds for implementation, including resource mobilization. Specific aspects of the complex interrelationship between population, environmental management and resource use will be identified and analysed in collaboration with UNFPA programmes.

28. Policy-level work on the environment must be matched by community-level awareness and activities. The Government strongly advocates the introduction of sustainable development practices at the community level. Though specific areas and approaches in this regard are not yet identified, they will include reinforcing sustainable productive practices. To channel critical information on sustainable behaviour and practices, the programme will encourage local networks, NGOs and community organizations to join the Pacific Sustainable Development Network, established with UNDP support. The Pacific regional Equitable and Sustainable Human Development Programme is a good vehicle for community-level work.

29. The above-mentioned interventions will contribute to strengthening the national capacity for environmental management. To increase expected impact, complementary sources of funding will be sought and combined in a programme approach. Linkages will be developed with the South Pacific Biodiversity

Programme, funded under the Global Environment Facility, as well as with the Capacity 21 initiative, the South Pacific Regional Environment Programme and other Pacific regional programmes on water and sanitation development and fisheries development.

C. Assistance outside the main areas of concentration of the country programme

30. The resources of the UNDP fifth cycle regional and subregional programmes will be drawn on to support other priority areas. Assistance from SPRs will be sought, as required, to help the Government minimize and alleviate suffering and loss caused by natural disasters.

D. Implementation and management arrangements

31. To reinforce the role of the Government in UNDP-funded projects, national execution will be used whenever feasible. UNDP will continue its efforts to assist in building national capacity for programme and project management. Specialized agencies of the United Nations system would be called upon for technical advice and backstopping, as required.

32. Such cost-effective modalities as technical cooperation among developing countries and United Nations Volunteers will be used in the implementation of the country programme. Short-term high-level consultants will be hired periodically to supplement the technical expertise of the project staff, coordinate activities and conduct workshops. Formal training activities for government counterparts will also be incorporated into the projects.

33. Wherever relevant, programmes will be formulated in close consultation with UNFPA and UNICEF for a greater and more coherent impact on the country's development. Effective linkages will be arranged with other donors to complement and enhance country programme activities.

34. The country programme will be monitored regularly to ensure that projects remain relevant and responsive to specific development needs. It is proposed that a mid-term review be undertaken in 1995 to assess country programme performance and impact in terms of national capacity-building.

Annex I

FINANCIAL SUMMARY

I. ESTIMATED RESOURCES (IPF + cost-sharing) TAKEN INTO ACCOUNT FOR PROGRAMMING

(Thousands of dollars)

Carry-over from fourth cycle IPF	778	
Fifth cycle IPF	1 561	
Estimated expenditures in 1992	(215)	
Subtotal IPF		2 124
Project cost-sharing (Government)	500	
Project cost-sharing (third party)	-	
Programme cost-sharing		
Subtotal cost-sharing		500
TOTAL		2 624

II. ALLOCATION OF RESOURCES (IPF + cost-sharing) BY AREA OF CONCENTRATION

Area of concentration	Thousands of dollars			Percentage of total resources
	IPF	Cost-sharing	Total	
Employment generation and training	800	-	800	30
Macro-economic and financial management	550	500	1 050	40
Sustainable resource management	250	-	250	10
Subtotal	1 600	500	2 100	80
Unprogrammed reserve	524		524	20
TOTAL	2 124	500	2 624	100

III. COMPLEMENTARY ASSISTANCE FROM OTHER SOURCES USED IN AREAS OF CONCENTRATION

(Thousands of dollars)

A.	UNDP-administered funds		
	SPR	150	
	Subtotal		150
B.	Other United Nations resources		
	JCGP participating agencies		
	UNFPA	800	
	UNICEF	-	
	WFP	-	
	IFAD	-	
	Other United Nations agencies (non-UNDP financed)	-	
	Global Environment Facility	-	
	Subtotal		800
	Total non-core and other United Nations resources		950
C.	Non-United Nations resources		-
	TOTAL		950

Annex II

PROGRAMME MATRIX a/

Area of concentration	Area of focus					
	Poverty eradication and grass-roots participation in development	Environment and natural resource management	Management development	TCDC	Transfer and adaptation of technology	WID
I. EMPLOYMENT GENERATION AND PRIVATE SECTOR DEVELOPMENT						
Vocational training and skills development	*		*			*
Private sector development	*		*	*	*	*
II. PUBLIC SECTOR AND MACRO-ECONOMIC MANAGEMENT REFORM			*	*		*
III. SUSTAINABLE RESOURCE MANAGEMENT						
Policy advisory services	*	*	*			
Sustainable development practices	*	*		*	*	*

a/ Asterisks indicate major linkage only.